



AGRICULTURAL SECURITY

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H I G H L I G H T S

WHAT ARE SOME OF THE ESSENTIAL ELEMENTS of policy that will give the nation agricultural security in its broadest sense? Here are several which come to mind:

FIRST - OPPORTUNITY FOR FARMERS TO ORGANIZE effectively in their own interests, insofar as such interests coincide with the general welfare.

SECOND - FARM PRICES THAT ARE FAIR AND STABLE, to keep farm income on a basis of reasonable equality with non-farming income.

THIRD - SUPPLY OF FARM PRODUCTS IN LINE with adequate domestic consumption and foreign demand.

FOURTH - FOREIGN POLICIES THAT DO ALL that can be done in conformity with peaceful relations to expand foreign markets for American farm products.

FIFTH - CONSERVATION OF NATURAL RESOURCES, especially our precious heritage of the soil.

SIXTH - RETIREMENT OF SUBMARGINAL LAND from cultivation and its use for purposes for which it is best suited.

SEVENTH - CROP INSURANCE.

EIGHTH - STORAGE OF RESERVE SUPPLIES of food and fiber.

NINTH - INCREASED SECURITY OF TENURE for both tenants and owner operators, and better possibilities for tenants to become owners.

TENTH - INCREASED OPPORTUNITY FOR THOSE farm people whose standard of living is now barely on a subsistence basis.

ELEVENTH - INDUSTRIAL POLICIES THAT ENCOURAGE abundance for wage and salary workers and farmers.

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Agriculture, labor and business, and the other great groups of our population, have a joint stake in seeing that our economic machine works smoothly. The members of each group want, and have a right to expect, that the American system will operate so as to give them a fair opportunity to make a living. Anything less than that is un-American. Anything less than that should not be tolerated, and I do not believe farmers or workers or business men or anyone else in this country will tolerate it. There is no question that farmers are alert to guard their own interests and to speak up in their own behalf.

One demonstration of the vigor and earnestness of farm organizations was the meeting of farm leaders in Washington on crop insurance. They broadened their discussions to cover other great needs of agriculture.

In this meeting, the idea was advanced that the Agricultural Adjustment Act should be re-enacted; that the program carried out under its original provisions was the best program agriculture ever had. Of course you would not expect those of us who had something to do with administering that program to feel offended at such words. But, good as that program was, we want to see it improved upon. A better program can and will be built.

"EQUALITY FOR AGRICULTURE" WAS BATTLE CRY

Let us think back a few years, and recall the slogan that imbued farm leaders and others. "Equality for agriculture" was the battle cry. In the nineteen-twenties farmers had good reason to demand equality. They were the largest single group that was not getting a fair share of what we then called prosperity. Efforts were made to have the McNary-Haugen Bill enacted into law. That bill passed Congress twice, only to be met with presidential vetoes. The export debenture, likewise, was frowned upon by the interests then dominating the country. Then the Federal Farm Board was created, as a partial answer to farmer demands, and their fortunes went from bad to worse.

After the stock market panic of 1929, the rest of the country began to slip into the depression pit, too. And, as the rest of the country fell, the farmer fell even faster and farther.

In 1933, the farmers' cry for equality at last was heard in the White House as well as the halls of Congress. The Agricultural Adjustment Act was passed, with its principle of parity, or fair exchange value, and its provision for doing something practical toward attaining parity. Through the combined effects of the adjustment program, other recovery measures, and the droughts of 1934 and 1936, the average of all farm prices has moved up from 50 percent of parity in March, 1933, to nearly 100 percent today.

FARMERS HAVE PLACE AT NATIONAL COUNCIL TABLE

All of us have been glad to see farm prices return to that fair level. Does that mean that agriculture's fight is completely won, and there is

nothing more to do? In one sense, agriculture's fight has been won. I am not sure that farmers on the average are exactly as well off as the average of other groups. But I do know that there are large numbers of persons who are unemployed or on work relief rolls, whose situation is no better, and probably not as good, as that of many farmers. Agriculture is no longer the forgotten industry in the United States.

And so farmers find themselves with a place of responsibility at the national council table. They are faced with the task of thinking out what policies will not only preserve the gains they have made, but will extend those gains in step with progress made by the entire nation.

Now what about that old slogan, "Equality for agriculture"? It was a splendid slogan in the days when we heard it on every side. A few years ago, equality was the main thing agriculture needed. And, of course, farmers still want equality. If a situation similar to that of 1932 comes on or threatens to come on, we would all fight just as hard as ever in the past to keep agriculture from going down to those depths again.

But does the word "equality" express all that agriculture wants to strive for in this new period? I have thought that perhaps a better phrase to sum up the present needs of farmers and the nation would be "agricultural security". This includes the idea of equality, for surely without equality farmers can have little security that is worth the name.

ELEMENTS OF SECURITY FOR AGRICULTURE

Now what are some of the essential elements of policy that will give the nation agricultural security in its broadest sense? Here are several which come to mind:

- First - Opportunity for farmers to organize effectively in their own interests, insofar as such interests coincide with the general welfare.
- Second - Farm prices that are fair and stable, to keep farm income on a basis of reasonable equality with non-farming income.
- Third - Supply of farm products in line with adequate domestic consumption and foreign demand.
- Fourth - Foreign policies that do all that can be done in conformity with peaceful relations to expand foreign markets for American farm products.
- Fifth - Conservation of natural resources, especially our precious heritage of the soil.
- Sixth - Retirement of submarginal land from cultivation and its use for purposes for which it is best suited.
- Seventh - Crop insurance.

- Eighth - Storage of reserve supplies of food and fiber.
- Ninth - Increased security of tenure for both tenants and owner operators, and better possibilities for tenants to become owners.
- Tenth - Increased opportunity for those farm people whose standard of living is now barely on a subsistence basis.
- Eleventh - Industrial policies that encourage abundance for wage and salary workers and farmers.

AGRICULTURE SEEKS UNIFIED PLAN OF OPERATION

All these things I have mentioned have a direct bearing on agricultural security. Along with them should be included others, such as farm credit and national monetary policy. I cite them here not as a complete platform for agriculture, but to suggest that they are some of the things farmers are interested in, along with equality.

As to the opportunity of farmers to organize in their own interests, I have pointed out that what agriculture needs is the economic, legal and moral equivalent of the modern corporation.

General farm organizations have a great record of accomplishment. So have the farmers' cooperative marketing associations. But in the disaster of 1932 farmers found they needed to supplement the efforts of these two types of organization. That is why the Agricultural Adjustment Act in 1933 provided for the forming of county associations of farmers, and for enough government assistance to enable these associations to function as effectively for agriculture as the corporation functions for industry. The Soil Conservation and Domestic Allotment Act in 1936 gave continued recognition of this principle when it provided for county conservation associations.

I believe it is vital that agriculture should not lose this principle. In finance and industry, the corporation has been developed over a long period of time as an instrument through which capital could be mobilized and large-scale operations carried on. Lawyers and financiers have shown amazing ingenuity in devising variations of the corporate form adapted to their various purposes. Agriculture, in its own way since 1933, has taken only a few steps on that road. But I feel it is a road from which farmers will not want to turn back.

PARITY OF INCOME NEED FOR FARMERS

The second essential of sound agricultural policy is parity of income. The old Agricultural Adjustment Act, as you know, set up a standard of pre-war parity for farm prices. Recognition of this standard was a milestone in agricultural progress. But such a rigid yardstick had its disadvantages too. I am inclined to believe that the standard of income

parity written into the Soil Conservation Act is more flexible and better adapted to agriculture's needs. Congress, in two different laws, has placed the power of the nation behind the principle of equality. That principle must not die.

Neither must that principle be expressed in a form which interferes with the maximum progress of the general welfare. Farmers, in dealing with their neighbors in the country, are accustomed to "live and let live". I have confidence they will follow this rule in dealing with neighbors in the cities and towns.

A third essential of agricultural policy is to keep the supply of farm products in line with domestic needs and foreign demand. This was a primary objective of the Agricultural Adjustment Act. The programs launched under this Act made a good start toward such a balancing of supplies, and the drought of 1934 carried the job a lot further and faster than had been intended.

In fact, we should always remember that the present favorable farm price level is due very considerably to the effects of two droughts so great that they brought widespread suffering and wiped out the incomes of thousands of farmers. Price gains for agriculture as a whole, resulting in great part from drought have been made at the expense of heavy losses to the drought-stricken farmers of some areas.

ADJUSTMENT MAY BE NECESSARY ON FARM

I do not need to review here what it was that stopped the production adjustment programs. The events of last January are of course familiar to all as are the programs carried on under the new Act passed last February. I realize that any effect of these programs on supplies of farm commodities is a by-product. And, with the drought of 1936 coming so soon after the drought of 1934, no further control has been required. But we have a productive plant with a capacity millions of acres in excess of the amount needed to produce the crops and livestock for which there are available markets. Should national farm policy be based upon expectation of a drought every other year to keep supplies in balance with demand? We can not afford to follow such a reckless course as that.

I do not propose to outline here just what new measures should be adopted if and when surpluses again begin to pile up. I believe the situation as it develops will point the way to the necessary action. And I believe the farmers of the United States indicated on November 3 that they fully intend to go ahead.

As to foreign trade policies, I still feel strongly that the interests of agriculture will be best served by continuing the reciprocal trade agreement program, under which agreements have been concluded with 14 foreign countries. During the period of operation of the Canadian trade agreement for instance farm cash income has kept on rising. For 1936, it is estimated at nearly 8 billion dollars, compared with around

7 billion in 1935. In other words, the first year of operation of the Canadian trade agreement has been accompanied by nearly a billion-dollar increase in farm cash income. This does not prove that the beginnings of foreign trade revival are the determining factor in farm income gains, but it certainly does dispose of the argument that increased farm imports are destroying farm income.

The handicaps in regaining our foreign markets for farm products are still very great, and progress must be slow. But agriculture has much to gain through further reciprocal arrangements for trade with foreign countries.

SOIL CONSERVATION IS LAST LINE OF DEFENSE

A fifth essential element of national farm security is the policy of soil conservation. In the past season, the progress that farmers had made in this direction under the old Triple A programs has been carried still further, and soil conservation has become a primary objective.

The encouraging thing about this policy is that both farming and non-farming interests have been almost universally in favor of it. As never before, the nation has awakened to the need of stopping the exploitation of soil resources.

Conservation of soil is the last line of defense against national suicide. That defense must go on.

As part of our long-time program of wise land use, we need to continue the retirement of submarginal farm land from cultivation. Families living on land that is so poor they can barely keep body and soul together need to be given an opportunity to start over somewhere else, and the land on which they have been trying to eke out an existence should be put to uses to which it is better suited. Some of this submarginal land is suitable for grazing, some for forestry, and some for game refuges, parks and outdoor recreation places. Thus far about 9 1/2 million acres have been acquired or optioned by the government. As this program continues, and is dovetailed in with soil conservation and adjustment programs, we shall be working toward the most economic use of all our land.

NEED FOR CROP INSURANCE IS APPARENT

Now, what about crop insurance? As a Federally recognized element in farm policy, this is new, perhaps. But we all know that crop insurance has been discussed for years, and some of the insurance companies have tried it out. Without such insurance the enterprise of farming has been the most speculative in the world. The two great droughts of the past three years have emphasized more than ever the need for such insurance. When drought strikes as it did in 1934 and 1936, the government has to spend substantial sums for the relief of farmers in distress. If a sound crop insurance plan can be developed, it will be less costly for the government than such relief. And from the standpoint of farmers concerned, it should be much more satisfactory.

Any crop insurance plan that is developed should be fitted into conservation and adjustment programs. It should be tied in also with whatever commodity loans can be judiciously placed in effect, and should include storage of reserve supplies. To be eligible for crop insurance, a farmer should be a cooperator in the Triple A program. But the crop insurance feature should be optional, and purely voluntary.

Also, the plan should be such that farmers in one area would not be paying for the risk of farmers in another area.

If developed along these lines, crop insurance would be an added facility which the government offers farmers, to put their occupation on a more business-like basis.

It has been suggested that the plan be tried out first on only one or two or three commodities--perhaps wheat only. I believe it is important not to rush ahead too fast in this new field.

STORAGE OF RESERVES OF FOOD POSSIBLE

One plan, on which a great deal of work has been done by the committee which President Roosevelt appointed, would provide for crop insurance in kind--that is, the premiums and indemnities would be paid in bushels or pounds of the commodity affected, or in their cash equivalent. For example, a wheat farmer in years of normal or surplus production would pay his premium in so many bushels of wheat. This wheat would be stored in elevators, or possibly on the farm if this should prove feasible. Then, in years of short crops, the farmer would receive his indemnity in the form of so many bushels of wheat or their cash equivalent.

This plan, as you see, would combine the storage of reserves with the crop insurance. If carried out on a sufficiently large scale and over a period of years, it would really be an ever normal granary such as I have long been urging.

Payment of premiums only in surplus crop seasons, if these premiums were definitely retained for use in deficit years, would tend to restrict the supply going to market and would help to keep the price from falling as low as it otherwise would. Similarly, if indemnities were paid in kind, the price in short seasons would not go as high as it otherwise would.

Thus the plan would be a factor in stabilizing prices of farm products to which it was applied. It would be a valuable supplement to any production adjustment programs that happened to be in effect. Of course, to assume that it would be a complete substitute for production adjustment in a series of years of normal weather would be a mistake. If and when normal weather returns, farmers will find that storage in the bin will not be sufficient in itself to take care of their surplus problems. They will find that storage in the bin must be supplemented with greatly-increased storage in the soil.

In that kind of situation, the welfare of farmers and of the nation will require that the farmers again have power equal to that which they once had under the Agricultural Adjustment Act and of which they were deprived in January 1936 by the decision of the majority of the United States Supreme Court. The only thing that will permit them to meet that kind of situation will be real, effective power to balance their production with demand.

RESERVES WOULD BE GUARANTEE AGAINST SHORTAGE

Returning to my discussion of the crop insurance plan, I wish to point out that from the broad standpoint of agricultural welfare, the accumulation of reserve supplies is equal in importance to the insurance protection feature. This is because such reserves would guarantee the nation against shortage. Farmers must remember that after all they are only a minority of the voting population of the United States. To assure the permanence of any farm program or policy, they need the support of the other three-quarters of the people. Farmers need to remember that if, as a continuing policy, production is to be adjusted to demand, there is always the danger that a calamitous drought such as that of 1934 or 1936 might send prices skyrocketing out of sight and cause the necessity of really huge imports to avoid a shortage of food in this country. This danger was not serious as long as carryover supplies were above normal. But with carryovers at normal or below, a program of acreage adjustment sufficiently far-reaching to keep production from going out of bounds under normal weather conditions might, in the event of a severe drought, have results quite other than those intended. Such an eventuality would be almost certain to arouse powerful consumer opposition to any repetition of this kind of farm program. And so, if farmers expect society to help protect them against the crushing effect of surpluses, they must be prepared to protect society by working out permanent arrangements for storing of reserve food supplies. Both farmers and non-farmers have a responsibility to each other, and any dodging of this responsibility by either group is likely to end in disaster. I don't think the disaster will come, because I think farmers and consumers have the common sense to meet either the surplus or the drought phase of this two-sided problem, whichever may develop. They will see that, in time of drought, there is need to assure supply, and in time of surplus, there is need for control. I think farmers and consumers are both in a mood to take this two-sided problem in hand and settle it once and for all.

You have been hearing a good deal lately about the problem of farm tenancy, and you probably all know that President Roosevelt has appointed a commission of representative farm and other leaders to recommend a plan for dealing with it.

PERCENTAGE OF TENANCY IS ON INCREASE

Forty-two percent of all the farms in the United States are operated by tenants. This percentage has been creeping upward for a long time, and unless steps are taken to prevent, will continue in the same direction.

The tenancy problem has many variations, in different parts of the country. For example, it is one thing in the South, where there are many thousands of sharecroppers, and it is another thing in States like Iowa and Kansas.

The suggestion has been made that the government should assist tenants to become owners by permitting them to pay for their farms over long periods and at low interest rates. This proposal and others aimed at increasing security of tenure for tenants and owner-operators will be studied by the President's commission. We all hope that out of its work will come recommendations that will help guide Congress in meeting this difficult problem. The family-sized farm owned by the man who operates it is an old American institution and a precious American heritage. It is a heritage that need not be lost if we have the will to preserve it.

Closely related to this question of farm tenancy is the problem of increasing the opportunity of those farmers and farm workers whose income is far less than the average of all farmers. I am not prepared to say just what measures should be taken to bring this about. But I believe we must recognize the situation for what it is, and try to find some practical means to remedy it.

One other factor that has a direct bearing on agricultural security lies primarily with industry. This consists of the price, wage and production policies that industry follows.

BALANCE WITHIN INDUSTRY NECESSARY FOR SECURITY

There can be no ultimate security for agriculture if industry continues to swing back and forth between boom and depression.

I believe that, for industry to play its part steadily in making this a country of abundance, there must be balance within industry as well as balance within agriculture and balance between industry and agriculture.

In our farm program, if we would serve the general welfare of all groups and classes, we have to provide for production that will take care of the American people's normal and expanding needs for food and clothing materials. This leads up to aim at balance between the various branches of agriculture--feed crops, livestock, fruits and vegetables, cotton, and other farm products. It leads us to consider the relation that should exist between prices of the various farm products, to keep output in one branch of farming in line with output in another.

I would like to see industry make the same kind of approach to a higher and more stable standard of living. Industry, too, needs to keep a proper balance between the output of its different branches, between its prices, and between the returns going to labor, capital and management.

Some day this country will exceed the 1929 peak of industrial production and the 1929 national income. What proportion of that higher volume of activity should be contributed by the automobile industry, by

the building of homes, by road construction, by the textile industry? I would like to suggest that the economic technicians serving industry might turn their attention not only to the problems of the individual firm, but also to some of these broad problems of the relation of each major branch of industry to industry as a whole. They might enable us to avoid the contagious industrial diseases of unbalanced prices, wages and profits, of booms and loss of consumer purchasing power. Just as we can not have a fair price for corn unless there is a fair price for hogs and a fair amount in the consumers' pay envelope, so it is impossible to discover what is a proper wage or price in one branch of industry unless the production, price, wage and demand conditions in allied branches of industry are taken into account.

WAGE LEVELS INFLUENCE DOMESTIC MARKET

Recently I have been disturbed to read that one important group of employers is proposing that wage levels be based on a cost-of-living index. Such a wage policy would fall far short of giving wage earners security of employment and fair annual earnings and thus security to the farmers' domestic market. There is much to be said for wage increases when living costs are rising, just as there was for rising farm prices from the distressed levels of 1932 to parity levels. But there is little to be said for encouraging wage decreases when food prices and other living costs decline, especially if there is no accompanying assurance of a job and 12 month's pay. Such a policy of wage reduction would be likely to send agriculture into a tail-spin of deflation just when it needed high consumer purchasing power the most. And it would be too much of a temptation to industrialists to advocate national policies leading toward cheap food. We have already seen far too much of that.

Furthermore, if wages are to be tied to a certain standard, it would in the interest of justice and stability be necessary to tie the returns of capital and management to a similar standard.

We need to approach this problem, not by fixing our attention on specific details taken by themselves, not on prices alone, or wages alone, or profits alone, but by considering the things that taken together make for balance and abundance. Unless we do this, we shall continue to commit the same kind of mistakes leading to insecurity that we have in the past.

For example, farmers sometimes have a tendency to feel that the wages of city workers are too high, and that their own interests are adversely affected by high city wages. But in general and in the long run, I am convinced that farmers are better off when city workers are well paid than when they are poorly paid. The deflation of wages in 1930 and 1931 and 1932 was closely bound up with the deflation of farm prices in those same years.

FACTORY AND FARM PRODUCTS' PRICES INTER-RELATED

Another problem that needs to be approached from a broad standpoint is the tendency for certain industrial prices to remain inflexible. At times such price rigidity helps bring on speculation and booms and at times it makes for deeper depression. Prices of both agricultural and non-agricultural goods and services should be such as to encourage an easy exchange. Doubtless some non-agricultural prices could be adjusted downward with benefit not only to farmers and the nation, but to the businesses concerned. Occasionally business men themselves are unaware of the possibilities along this line. By persistently holding prices to what they deem to be a profitable level, they may actually deprive themselves of profits. We have recently seen a striking example of this in the lowering of passenger railroad fares. This change was opposed by most of the eastern railroad executives and was brought about only through the insistence of the Interstate Commerce Commission. What is the result? Greatly increased railroad passenger traffic, increased revenues to the railroads, and, I may say, great rejoicing among the railroad men.

There are many examples of this sort where the policies pursued in what seems to be the legitimate interests of one's business do not square with the general welfare. Our economic and political history is full of examples where at critical moments individual business men and farmers have turned to their representatives in the Federal government to help break economic log jams. One such jam occurred in 1932 and 1933. I am glad to say that the power of our democratic government has succeeded in breaking the worst of that jam. But we should not let another period of prosperity blind us to the fact that it is the mistakes of prosperity which lead to depression and collapse. Every one of us will gain if we can avoid those mistakes.

Not only the policies of industry but the fiscal policies of government need to be shaped with care if we are to have continuing security. Without in any way speaking for the Treasury, but thinking primarily of that situation which will contribute most to agricultural welfare, I would like to suggest that organized agriculture stand for a budget balanced not on the basis of the year but on the basis of the completed business cycle. Farmers know that a continually unbalanced budget leads eventually to inflation and farm disaster, but they know that governmental penny pinching in time of depression brings disaster, too.

The difference between the fiscal policies that should be followed by private business and those that should be followed by the government is something like the difference between private banking policies and those of central banking institutions. I mean to say that the logical course for the government may be just the reverse of that for the individual business. In times of depression both agriculture and labor are enormously interested in seeing the Federal government incur deficits in the effort to build up consumer purchasing power, while in time of prosperity agriculture and labor should be equally interested in maintaining high income taxes to prevent inflation and distorted expansion. As a matter of fact the rate

of income tax might conceivably and justifiably be higher in times of prosperity than in time of depression, the theory being that in time of prosperity the budget should not only be balanced but there should be a surplus to pay down on the debt.

LARGE PROFITS, MISUSED, MAY BRING DEPRESSION

In time of prosperity it is so easy for large business profits to be used in ways which cause depression a year or two later. For the welfare of business itself a considerable part of the profits of this sort might well be used by the government to reduce the national debt. Business men might consider whether sound governmental spending, properly proportioned throughout the business cycle, would not give them, even though income taxes are high, a greater income after taxes are paid than would otherwise result.

These aspects of industrial and fiscal policy I have been discussing may seem outside the realm of things with which farmers are directly concerned. On their face, they seem far removed from the feeding of hogs, the harvesting of grain, or the marketing of fruit. But sooner or later, farmers are affected by what happens in the business and financial world. And if farmers are to have real security, there must be a greater degree of security and stability for workers and for business.

Security gives confidence. When a farmer feels his income is not in danger, he goes ahead with his affairs in a business-like way. He keeps up his machinery, his barns, his fences, his home. He is a steady and dependable customer. His buying helps make city business steady and dependable. In every factory, he is an unseen partner for whom the motors hum.

When a city worker feels certain of his pay check, he and his family eat better food and wear better clothes. They are just as good customers for the farmers as the farmers are for them.

Yes, security gives confidence. When thirty million families on the farms, in the villages and in the cities are secure in their means of livelihood, then we may have the soundest kind of confidence--confidence in the integrity of the home, confidence in the safety of our system of individual enterprise, faith in the preservation of American freedom, faith in the future of American democracy.